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### Opening Remarks

H.E. Chea Chanto, Governor of the National Bank of Cambodia  
on the occasion of the 18<sup>th</sup> APRACA General Assembly,  
the 61<sup>st</sup> APRACA EXCO Meeting and the Regional Forum  
Siem Reap, 30 May 2012

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- Mr. ILYOS Amanov, APRACA Deputy Chairman,
- Mr. Won-sik Noh, APRACA Secretary General,
- Mr. Gopal Prasad Kaphle, Deputy Governor of Nepal Rastra Bank,
- Dr. Ganesh Thapa, IFAD Representative,
- Distinguished Guests, Ladies and Gentlemen,

Good morning!

Today, on behalf of the National Bank of Cambodia, I have the great honor and pleasure to host the 18<sup>th</sup> APRACA General Assembly, the 61<sup>st</sup> APRACA Executive Committee Meeting and the Regional Forum on “Strengthening the Resilience of Smallholder Farmers through Rural Innovation” in Siem Reap province. Our meetings today are organized in the time that Cambodia is holding the ASEAN Chairmanship under the theme ‘ASEAN: *One Community, One destiny*’.

In the meantime, I would like to warmly welcome Excellencies, Ladies and Gentlemen, honorable speakers, representatives and all delegates from respective APRACA member countries to Cambodia, *especially*, to Siem Reap province, the ancient capital city of Cambodia. I hope that all of you had a pleasant journey from your country all the ways to Cambodia and discovered cultural exchanges.

I would like to thank Dr. Ganesh Thapa, Mr. Won-Sik Noh, and all the staff who are always striving to provide good cooperation among the members across the region. I would also like to thank our resource speakers for your contribution. Today’s topic is truly important for Microfinance practitioners, local and regional policy makers, experts from the government and private sectors, SMEs development agencies and academia to meet and discuss about strengthening the resilience of smallholder farmers through rural finance in Cambodia.

Distinguished Guests, Ladies and Gentlemen,

Taking this opportunity, let me say a few words about microfinance development. Microfinance industry in Cambodia was born in the early nineties by non-governmental organizations and donor communities to first provide humanitarian aid to the poor in rural areas. Then this sector has continued to further develop owing to wide demand for financial services, significant sustainability, sound and safe development environment and increase in number of non-governmental organizations that recognize the large potential market for microfinance services throughout the country.

By seeing the importance of microfinance in contributing to socio-economic development that can help reduce poverty by promoting opportunities and facilitating empowerment, the Royal Government of Cambodia set up a national policy for microfinance development. *First*, in 1999, the Law on Banking and Financial Institutions was adopted to integrate microfinance industry into regulated financial system under the authority of the National Bank of Cambodia. *Second*, in 2001 the Royal Government adopted a long-term Blueprint (FSDS) to set a clear vision, identify challenges and constraints, and lay out alternatives and action plans of future strategies. The Blueprint was continuously updated to reflect the current economic development and changes.

Microfinance in Cambodia today is recognized as a key factor in contributing socio-economic development. It is also regarded as an effective tool for poverty reduction in a peaceful and stable political environment. Microfinance today is already recorded a successful story to serve the interests of the poor by providing financial services, increasing incomes, improving lives and reducing poverty. Hence, Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia declared "*the Year 2006 as the Year of Microfinance of Cambodia*" after the United Nations General Assembly announced "*the Year 2005 as the Year of Microfinance of the World*".

Microfinance sector in Cambodia now continues to grow rapidly both of scopes and scales. Since May 2012, we have 32 licensed Microfinance institutions with total assets of USD800 million and total loans of USD700 million reaching over one million clients. Total deposits increased sharply from a low base to USD114 million. The average non-performing loan ratio is now at 0.2% despite the severe flooding in the country. This progress reflects the better awareness of our people, *especially*, the female clients, on the importance of microfinance services and credit culture.

Distinguished Guests, Ladies and Gentlemen,

With regards to today's topic, it is especially relevant when talking about rural finance innovations, value chain, green financing and risk management strategies. These issues are of particular importance to improve the microfinance sector and thus important to our respective countries as well.

Smallholder farmers are the backbone of the rural economy – but they are bearing the brunt of climate change. Worldwide, there are 500 million smallholder farms supporting over 2 billion people. Over the centuries, smallholders have learned to adjust to environmental change and climate variability. Crop failures and livestock deaths are causing economic losses, raising food prices and undermining food security with ever-greater frequency. At the same time, demand for food is increasing as population grows and dietary habits change.

Agriculture, along with forestry, can play a key role in tackling climate change. Improving land management and farming practices and planting forests can help lower greenhouse effect. The poor farmers are custodians of natural resources. Authorities are keen to scale up investments in sustainable agricultural intensification, focusing on risk and resilience, promoting value chains that drive '*green growth*', supporting better governance and policies on natural assets, and promoting knowledge-intensive and community-led responses.

Beyond traditional risks, smallholders will face new threats, such as the rise of sea level and the impact of flood. Climate change magnifies traditional risks. Farmers can no longer rely on historical averages of factors such as rainfall and temperature, because climate change is increasing climate variability, the range of extremes and the scale of volatility.

Agriculture value chain can provide many opportunities for both farmers and financial institutions. Innovations in rural finance have led to reductions in transaction costs, increased outreach and new products, which have had significant positive impacts on greater access to finance. However, many challenges remain and we should explore further on how innovative techniques can be used to overcome traditional barriers in providing financial services.

In this regard, let me share with you that in order to avoid environmental threats such as climate changes and enable poor rural people to overcome poverty, the strategies should be to:

- Support innovative approaches to help smallholder producers build their resilience to climate change,
- Enable smallholder farmers to take advantages of available mitigation incentives and funding and
- Inform a more cogent dialogue on climate change, rural development, agriculture and food security.

In short, experiences have indicated that microfinance has proven to be the vehicle of changes in the lives of millions of rural communities, as it adopts innovative delivery channels of green technologies and products from tradition.

I however will not elaborate too much on this because our honorable speakers will deliver very interesting speeches in the courses and panel discussion today. There is no need to convince you that rural finance is a key issue for our countries.

Distinguished Guests, Ladies and Gentlemen,

Let me conclude that this forum is very important for us. I know that your upcoming discussion will be very rich and useful. Your conclusion will be the basis for future important policy formulation.

Last but not least, let me wish all of you a productive and successful discussion. I would like to take this opportunity to register our deep appreciation for your support and kind cooperation in participating in the important meetings.

Even though you are on a tight schedule here, I hope you will find time to go sightseeing and visit more temples and other interesting places and to get to know about our people and culture during your stay in Siem Reap.

May I wish you all good luck and a pleasant stay in our ancient capital city of Siem Reap, Angkor.

Thank you!